

**REPORT OF THE AUDIT OF THE  
LAUREL COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2000**



**EDWARD B. HATCHETT, JR.  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**LAUREL COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2000**

The Auditor of Public Accounts has completed the Laurel County Sheriff's audit for the year ended December 31, 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

Excess fees increased by \$4,148 from the prior calendar year, resulting in excess fees of \$4,148 as of December 31, 2000. Revenues decreased by \$25,451 from the prior year and disbursements decreased by \$29,599.

**Debt Obligations:**

Capital lease principal agreements totaled \$51,300 as of December 31, 2000.

**Report Comments:**

- The Sheriff Should Eliminate Deficit In His Official Fee Account
- Proper Documentation Should Be Kept For All Expenditures And Bids Should Be Obtained For All Expenditures Requiring Bids
- The Sheriff Should Publish His Annual Financial Statement
- The Sheriff Should Properly Account For All Contract Labor Transactions
- Salaries Should Be Approved By The Fiscal Court
- The Sheriff Should Submit Required Financial Reports To The Department For Local Government
- The Sheriff Should Receive Salary In Accordance With The Salary Recommended By The Department For Local Government
- The Sheriff Should Pay Excess Fees To The Fiscal Court
- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Should Provide The Same Health Insurance Coverage To All Employees
- Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were not adequately insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Lawrence Kuhl, Laurel County Judge/Executive  
Honorable Gene Hollon, Laurel County Sheriff  
Members of the Laurel County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Laurel County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
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Honorable Gene Hollon, Laurel County Sheriff  
Members of the Laurel County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Sheriff Should Eliminate Deficit In His Official Fee Account
- Proper Documentation Should Be Kept For All Expenditures And Bids Should Be Obtained For All Expenditures Requiring Bids
- The Sheriff Should Publish His Annual Financial Statement
- The Sheriff Should Properly Account For All Contract Labor Transactions
- Salaries Should Be Approved By The Fiscal Court
- The Sheriff Should Submit Required Financial Reports To The Department For Local Government
- The Sheriff Should Receive Salary In Accordance With The Salary Recommended By The Department For Local Government
- The Sheriff Should Pay Excess Fees To The Fiscal Court
- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Should Provide The Same Health Insurance Coverage To All Employees
- Lacks Adequate Segregation Of Duties

The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 28, 2003



LAUREL COUNTY  
 GENE HOLLON, COUNTY SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2000

Receipts

Federal Grants-		
Direct Grants	\$ 103,031	
Equipment Grant	10,410	
Local Law Enforcement Block Grant	<u>5,811</u>	\$ 119,252
State Grants		71,346
State Fees For Services:		
Cabinet For Human Resources	\$ 9,047	
Other Services	<u>27,820</u>	36,867
Circuit Court Clerk:		
Sheriff Security Service	\$ 93,178	
Fines and Fees Collected	<u>1,920</u>	95,098
Fiscal Court		266,930
County Clerk - Delinquent Taxes		19,317
Commission On Taxes Collected		475,633
Fees Collected For Services:		
Auto Inspections	\$ 24,094	
Accident and Police Reports	1,101	
Carrying Concealed Deadly Weapon Permits	35,239	
Serving Papers	59,832	
Transporting Mental Patients	<u>13,691</u>	133,957
Other:		
Miscellaneous		19,845
Helicopter Fund Receipts (Note 6)		2,181
Interest Earned		3,200
Borrowed Money:		
Bank Note		<u>\$ 30,000</u>
Total Receipts		<u>\$ 1,273,626</u>

The accompanying notes are an integral part of this financial statement.

LAUREL COUNTY  
 GENE HOLLON, COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2000  
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	552,694	
HIDTA Overtime		7,686	
Contract Labor		2,161	

Employee Benefits-

Employer's Share Social Security		40,382	
Employer's Share Health Insurance		57,408	
State Unemployment		3,138	\$ 663,469

Contracted Services-

Professional Fees		2,238	
Advertising		35	
Drug Extradition		6,288	8,561

Materials and Supplies-

Carrying Concealed Deadly Weapon Permits		11,335	
Office Materials and Supplies		76,094	
Uniforms		47,180	
Transport		237	
Motor Vehicle and Aviation Expense		8,508	
Training School		191	
Travel and Entertainment		6,546	
Dues and Subscriptions		1,584	
Bonds		1,663	
Utilities - Communication		43,855	
Matching Equipment - Grant Funds		1,578	
Federal Equipment Grant		10,410	
Local Law Enforcement Grant Funds		5,811	
Postage		12	
Miscellaneous		37,182	
Helicopter Fund Expenditures		2,181	\$ 254,367

The accompanying notes are an integral part of this financial statement.

LAUREL COUNTY  
 GENE HOLLON, COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2000  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Auto Expense-		
Gasoline	\$ 54,677	
Maintenance	37,427	
Toll Cards	162	
Other Expense	<u>3,175</u>	\$ 95,441
Capital Outlay-		
Equipment	\$ 42,410	
Vehicles	<u>102,528</u>	144,938
Debt Service:		
Notes	\$ 30,000	
Interest	<u>2,453</u>	<u>32,453</u>
Total Disbursements		\$ 1,199,229
Less Disallowed Disbursements:		
Interest On Bank Loan		<u>(2,453)</u>
Total Allowable Disbursements		<u>\$ 1,196,776</u>
Net Receipts		\$ 76,850
Less: Statutory Maximum	\$ 72,014	
Training Incentive	<u>688</u>	<u>72,702</u>
Excess Fees Due County for 2000		<u><u>\$ 4,148</u></u>

The accompanying notes are an integral part of this financial statement.

LAUREL COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule. The schedule indicates the cumulative effect of prior year deficits under the respective fee official.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent for the first six months of the year and 7.17 percent for the last six months of the year.

LAUREL COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2000  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits:

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, on November 6, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$5,115,514 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official on November 6, 2000.

	<u>Bank Balance</u>
FDIC insurance	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	2,800,239
Uncollateralized and uninsured	<u>5,115,514</u>
Total	<u>\$ 8,015,753</u>

LAUREL COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2000  
 (Continued)

Note 4. Leases

A. The Sheriff's office is committed to a lease agreement with Pitney Bowes, Inc. for a copier. The agreement requires a monthly payment of \$140 for 51 months to be completed in December 2002. The total balance of the agreement was \$1,820 as of December 31, 2000.

B. The Sheriff's office was also committed to the following lease agreements as of December 31, 2000:

Item Purchased	Annual Payment	Terms of Agreement	Ending Date	Principal Balance 12/31/00
7 vehicles	\$ 51,300	3 annual	January 2002	\$ 51,300

Note 5. Grants

A. LLEB-97-2/98 Overtime Grant

During 1999, the Sheriff received \$5,000 from a grant to pay overtime wages to deputies. The balance at January 1, 2000 was \$5,126. Interest of \$129 and matching funds of \$556 were received during the year. The Sheriff transferred \$5,811 into his official fee account during the year for overtime payments to deputies leaving a balance of -0- at December 31, 2000.

B. LLEB-36-1/97 Equipment Grant

The Sheriff had an equipment grant that was received in prior years. The beginning balance on January 1, 2000 was \$76. The Sheriff transferred this into his fee account during January 2000 leaving a balance of -0- at December 31, 2000.

C. LLEB-170-3/99 Equipment Grant

During calendar year 2000, the Sheriff received an equipment grant in the amount of \$9,198 passed through the fiscal court. The account had a beginning balance of -0-. Receipts for the year totaled \$10,410 which consists of \$9,198 in grant receipts, \$1,022 in local matching funds, and \$190 in interest. Disbursements totaled \$10,410, leaving a balance of -0- at December 31, 2000.

Note 6. Helicopter Account

The Sheriff opened a bank account during 1999 which he uses for helicopter expenses. The balance on January 1, 2000 was \$1,756. He had receipts totaling \$1,556 during the year and expenditures totaling \$2,181. As of December 31, 2000, the balance in the account was \$1,131.

LAUREL COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2000  
(Continued)

Note 7. Asset Seizure Account

During 2000, the Sheriff received \$170,153 from the federal government from the return of asset seizures. During the year, the bank account earned interest of \$1,198 and the Sheriff had expenditures totaling \$42,328 for 2 vehicles. The Sheriff had an ending balance of \$129,023 as of December 31, 2000.

LAUREL COUNTY  
GENE HOLLON, COUNTY SHERIFF  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

For The Year Ended December 31, 2000

Assets

Cash in Bank	\$ 51,077
Deposits in Transit	589
Receivables:	
Refund Due From Fiscal Court - 1997 Excess Fees	<u>7,365</u>
Total Assets	<u>\$ 59,031</u>

Liabilities

Paid Obligations:

Outstanding Checks	\$ 38,795
Liabilities Paid After December 31, 2000	<u>10,950</u>

Total Paid Obligations	\$ 49,745
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Unpaid Obligations:

Laurel County -	
Excess Fees - 1998	\$ 20,237
Excess Fees - 2000	4,148
Laurel County Sheriff -	
Underpayment of Salary for 2000	<u>224</u>

Total Unpaid Obligations	<u>\$ 24,609</u>
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Total Liabilities	<u>\$ 74,354</u>
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Total Fund Deficit as of December 31, 2000	<u><u>\$ (15,323)</u></u>
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## COMMENTS AND RECOMMENDATIONS



LAUREL COUNTY  
GENE HOLLON, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

December 31, 2000

STATE LAWS AND REGULATIONS:

1. The Sheriff Should Eliminate Deficit In His Official Fee Account

The Sheriff has a cumulative deficit of \$15,323 as of December 31, 2000. This deficit is the result of excess fees owed the fiscal court for 1998 and 2000 of \$20,237 and \$4,148 respectively less a refund of \$7,365 due from the fiscal court for overpayment of 1997 excess fees. The Sheriff also is due an additional \$224 in salary for 2000. We recommend the Sheriff eliminate this deficit.

*County Sheriff's Response:*

*We will comply with this.*

2. Proper Documentation Should Be Kept For All Expenditures And Bids Should Be Obtained For All Expenditures Requiring Bids

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The Sheriff is not accounting for disbursements properly. Proper documentation was not provided for many of the disbursements selected for testing. The Sheriff did not advertise for bids for fuel purchased. KRS 424.260(1) states "except where a statute specifically fixes a larger sum as the minimum requirement of advertisement for bids, no Sheriff shall make a contract, lease, or other agreement for materials or supplies involving expenditure of more than twenty thousand dollars without first making newspaper advertisement for bids." KRS 424.260(2) states "if the fiscal court requires that the Sheriff advertise for bids on expenditures of less than twenty thousand dollars, the fiscal court requirement shall prevail." Technical Audit Bulletin T.A.B. #93 Section 4(c) states that "The expenditure of public funds without maintaining proper and accurate documentation is subject to an audit comment." We recommend the Sheriff comply with KRS 424.260(1) by maintaining proper documentation for expenditures made from his official fee account.

*County Sheriff's Response:*

*Vehicles were purchased under the State Price Contract.*

3. The Sheriff Should Publish His Annual Financial Statement

The Sheriff did not publish his annual financial statement. KRS 424.220 (6) & (8) states "the Sheriff shall, within sixty days after the close of the Sheriff's fiscal year, cause the financial statement to be published in full in a newspaper qualified under KRS 424.120 to publish advertisements for the county. Promptly after publication is made, the Sheriff shall file a written or printed copy of the advertisement with proof of publication, in the office of the county clerk of the county and with the Auditor of Public Accounts. Promptly after publication is made, the Sheriff shall also file one (1) copy of the financial statement with the Kentucky Department For Local Government." We recommend the Sheriff comply with KRS 424.220 by publishing his annual financial statement within sixty days after the close of the Sheriff's fiscal year.

*County Sheriff's Response:*

*We will comply.*

LAUREL COUNTY  
GENE HOLLON, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
December 31, 2000  
(Continued)

4. The Sheriff Should Properly Account For All Contract Labor Transactions

The Sheriff made payments of \$2,161 for contract labor, for which he did not prepare a W-2 or Form 1099. The Sheriff should prepare a Form 1099 for each employee who does contract labor. In the future, we recommend the Sheriff comply with state and federal regulations pertaining to the payment of wages by preparing the required forms.

*County Sheriff's Response:*

*We will comply.*

5. Salaries Should Be Approved By The Fiscal Court

Although the fiscal court approved the budget, we could not find a copy of the order setting the maximum amount of salaries for deputies and assistants. KRS 64.530 states "The fiscal court shall fix annually the maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant." We recommend the Sheriff comply with KRS 64.530 by submitting a salary schedule to the fiscal court for approval.

*County Sheriff's Response:*

*We will comply.*

6. The Sheriff Should Submit Required Financial Reports To The Department For Local Government

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The Sheriff did not submit the required financial reports to the Department for Local Government. KRS 68.210 states that the Sheriff shall file financial reports. We recommend the Sheriff comply with KRS 68.210 by submitting the required reports to the Department for Local Government.

*County Sheriff's Response:*

*We will comply.*

7. The Sheriff Should Receive Salary In Accordance With The Salary Recommended By The Department For Local Government

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The Sheriff did not receive the maximum salary as determined by the Department for Local Government. The Sheriff's W-2 salary is \$224 less than the salary recommended by the Department for Local Government. According to KRS 64.5275 The Department for Local Government shall fix the sheriff's maximum salary at an annual rate of salary per the annual increase in the Consumer Price Index and the salary schedule in this statute. We recommend the Sheriff comply with KRS 64.5275 by issuing a payroll check for this underpayment.

*County Sheriff's Response:*

*We will comply.*

LAUREL COUNTY  
GENE HOLLON, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
December 31, 2000  
(Continued)

8. The Sheriff Should Pay Excess Fees To The Fiscal Court

The Sheriff owes \$4,148 in excess fees for calendar year 2000. The Sheriff presented an annual settlement to the fiscal court on March 29, 2001, however he did not pay excess fees. KRS 134.310(6) states "at the time he files the statement required by subsection (5) of this section, the sheriff shall pay to the fiscal court any fees, commissions, and other income of his office, including income from investments, which exceed the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants. The settlement for excess fees and commissions and other income shall be subject to correction by audit conducted pursuant to KRS 43.070 or 64.810," We recommend the Sheriff pay excess fees of \$4,148 to the fiscal court and comply with KRS 134.310 by paying excess fees when he presents his annual settlement to the fiscal court.

*County Sheriff's Response:*

*We will comply.*

9. The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On November 6, 2000, \$5,115,514 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Sheriff's Response:*

*We are in compliance with this now.*

10. The Sheriff Should Provide The Same Health Insurance Coverage To All Employees

The Sheriff purchased health insurance for his employees during 2000 from monies generated from his fee account. The Sheriff's fee account paid for 80% of all health insurance premiums leaving the employees' share to be 20%. However some employees received family coverage while others received single coverage. This resulted in some employees receiving more benefits than others. The Sheriff's office has a policy and procedures manual dated January 3, 1994, however it does not specify any benefits for health insurance. However, the Fiscal Court pays 100% for a single-plan and 80% of a family-plan. We recommend that the Sheriff comply with the Fiscal Court's personnel policy since this issue is not discussed in the Sheriff's office policy and procedures manual.

*County Sheriff's Response:*

*We will comply.*

LAUREL COUNTY  
GENE HOLLON, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
December 31, 2000  
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of adequate segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions, the official has limited options for establishing an adequate segregation of duties. We recommend the following compensating controls be implemented to offset this internal control weakness.

- The Sheriff should periodically prepare a daily checkout sheet and daily bank deposit. The daily checkout sheet should agree to the daily receipts ledger and any differences noted should be investigated.
- The Sheriff should periodically compare invoices to payments. The Sheriff could document this by initialing the invoices.
- The Sheriff should prepare or review a monthly bank reconciliation that should reconcile to the receipts and disbursements ledgers. Any differences should be investigated.
- The Sheriff should require two (2) signatures on all checks written.

*County Sheriff's Response:*

*We will comply.*

PRIOR YEAR

- The Sheriff Should Eliminate Deficit In His Official Fee Account
- Proper Documentation Should Be Kept For All Expenditures And Bids Should Be Obtained For All Expenditures Requiring Bids
- The Sheriff Should Publish His Annual Financial Statement
- The Sheriff Should Properly Account For All Contract Labor Transactions
- Salaries Should Be Approved By The Fiscal Court
- The Sheriff Should Submit Required Financial Reports To The Department For Local Government
- Lacks Adequate Segregation Of Duties
- The Sheriff Should File His Annual Settlement With The Fiscal Court
- The Sheriff Should Have A Written Agreement To Protect Deposits
- The Sheriff's Budget Should Be Approved By The Fiscal Court

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

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Members of the Laurel County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the Laurel County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated August 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Laurel County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Eliminate Deficit In His Official Fee Account
- Proper Documentation Should Be Kept For All Expenditures And Bids Should Be Obtained For All Expenditures Requiring Bids
- The Sheriff Should Publish His Annual Financial Statement
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- The Sheriff Should Provide The Same Health Insurance Coverage To All Employees



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Laurel County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the lack of adequate segregation of duties to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 28, 2003

